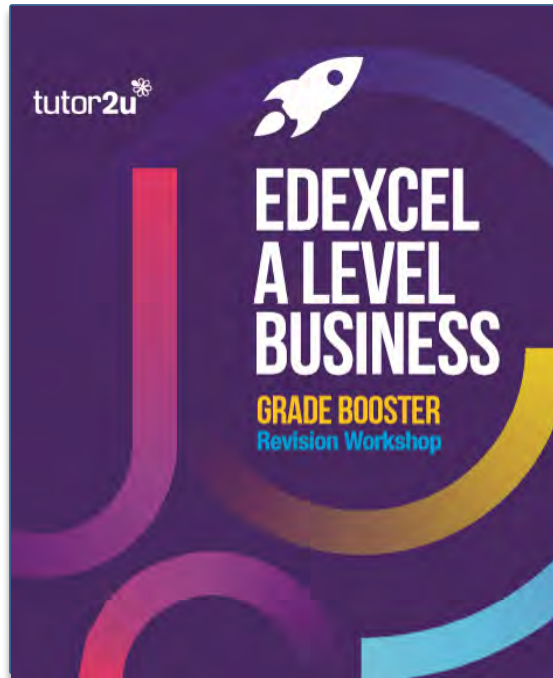


Edexcel A Level Business Grade Booster

Student Revision Workshop 2019



Welcome

Today

Session 1 Paper 1

Session 2 Paper 2

Session 3 Paper 3 (Investigating Business in a Competitive Environment)

Session 4 Nailing the Numbers



Get ready for
5,4,3,2,1!



5	factors leading to a change in demand
4	theories of motivation
3	global marketing strategies
2	examples of trading blocks
1	type of leadership style



5

factors leading to a change in demand

Changes in the price of substitutes

Changes in consumers income

Fashion, tastes and preferences

Advertising and branding

Seasonality



4	theories of motivation
Herzberg	
Maslow	
Taylor	
Mayo	

5,4,3,2,1!



3	global marketing strategies
Domestic/ ethnocentric	
Mixed/ geocentric	
International/ polycentric	

5,4,3,2,1!



2	examples of trading blocs
ASEAN	
NAFTA	

5,4,3,2,1!



1	type of leadership style
Democractic	

5,4,3,2,1!

June 2018 Grade Boundaries

	Paper 1	Paper 2	Paper 3	Overall (335)
A*	74	71	72	242
A	68	65	66	222
B	59	56	58	194
C	51	48	50	167
D	43	40	42	140
E	35	32	34	113

June 2018 Average Mark Per Question

	Paper 1	Paper 2	Paper 3
1a	2.75/4	2.64/4	5.13/8
1b	2.35/4	1.69/4	6.13/10
1c	5.76/10	6.83/10	6.34/12
1d	6.24/12	7/12	12.11/20
1e	12.01/20	11.59/20	3.83/8
2a	2.60/4	2.88/4	5.69/10
2b	2.64/4	3/4	3.92/12
2c	4.80/10	4.28/10	11.4/20
2d	6.61/12	5.47/12	
2e	11.71/20	11.46/20	

Paper 1 Overview and Key Models and Theories

PAPER 1 OVERVIEW

Paper 1 will assess marketing, people and global business and questions will be drawn from Themes 1 and 4.

Paper 1 has a total mark allocation of 100 and is worth 35% of the total A Level Business qualification

Paper 1 consists of 2 sections with each section consisting of:

- 2 x 4 mark questions
- 1 x 12 mark question
- 1 x 10 mark question
- 1 x 20 mark question

PAPER 1 KEY MODELS AND THEORIES

- Market Mapping
- Supply and Demand
- Price and Income Elasticity of Demand
- The Product Lifecycle and the Boston Matrix
- Motivational Theories
- Leadership Styles
- Global Marketing Strategies
- Ansoff's Matrix and Global Markets

Marketing Maths

Activity 2: Marketing Maths

Question 1

In 2018, the size of a market by value was £689,000, 6% higher than in 2017. Calculate the size of the market by value in 2017

$$2017 = £689,000 / 1.06 = £650,000$$

Marketing Maths

Question 2

Margaret and Rita are owners of A Pizza the Action, a pizza restaurant in Sunderland. They are considering opening a second restaurant in Northumberland. Margaret and Rita estimate that the new restaurant would sell 15,000 pizzas per year which would give them a 5% share of the local market. The price per pizza is £8.

Calculate the size of the pizza market by volume and value in Northumberland.

$$\text{Volume} = (15,000 / 5) \times 100 = 300,000 \text{ pizzas}$$

$$\text{Value} = 300,000 \times £8 = £2,400,000$$

Marketing Maths

Question 3

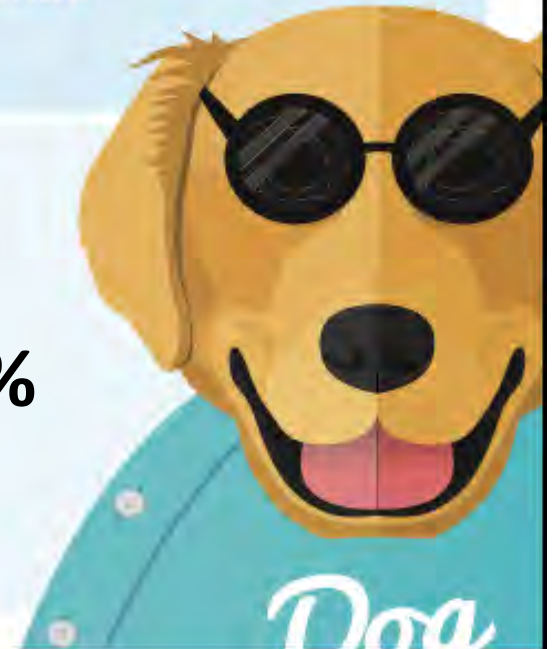
Dog on the Tyne is a dog grooming business located in Newcastle. The owner of the business estimates that the price elasticity of demand for dog grooming is -1.5 and is considering reducing the price of their bath, brush and blow dry from £30 to £24. Dog on the Tyne normally carry out 50 bath, brush and blow dries per month.

Calculate the quantity demanded at the new price.

$$\% \text{ change in price} = (£6 / £30) \times 100 = 20\%$$

$$\% \text{ change in quantity demanded} = 20\% \times 1.5 = 30\%$$

$$\text{Quantity demanded} = 50 \times 1.30 = 65$$



Writing Winning Paragraphs

Pe

Pe stands for POINT explained

Every paragraph should start with a sentence that **identifies** a **relevant point** that will be developed using the skills of knowledge & understanding, application and analysis.

This **signposts** to the examiner that you have selected a relevant issue in the question to which you will now respond.

CAn

CAn stands for CONTEXTUALISED ANALYSIS

For Edexcel A Level Business, the **CONTEXT** is vital. The arguments that are to be developed (**ANALYSIS**) must be **APPLIED** to the **CONTEXT**.

We do this by interweaving the context into the analysis by using CONTEXTUALISED ANALYSIS (CAn).



Developing Exam Skills - Application

S	Size & Sector	e.g. Revenues, Profits, Manufacturer, Service
C	Competitive Environment	e.g. Market, Competitors
O	Ownership & Objectives	e.g. Private, Public, Profit, Sales Maximisation
R	Resources	e.g. Finance, IP, People, Products, Services
E	External Environment	e.g. Legislation, Economy, Technology

Developing Exam Skills - Application

The Application Doctor

The Application Doctor is a simple technique to help you write more contextualised answers. When someone visits a doctor, the doctor diagnoses the problem based on the patient's symptoms. We can 'reverse' and apply this concept to business in so much that a business, market or industry will have several 'symptoms' that will tell us what the business, market or industry is. This can help you write more contextualised answers.

Developing Exam Skills – Analysis Pt 1

Developing Exam Skills – Analysis Part 1

Developing Analysis

Analysis is **so much more** than just identifying or listing advantages or disadvantages.

Analysis is all about developing **reasons, causes, consequences** and **effects**.

You need to ensure that in your paragraphs you **develop logical chains of reasoning**, showing **cause(s)** and **effect(s)**.

A useful technique to help develop this skill is to use **connective** words within your arguments, for example:

- As a result
- Therefore
- This would lead to
- Consequently

It is also important to remember that **your analysis MUST be in context!**

Another good method of developing analysis is using (relevant) models and theories within your answer. This also helps to avoid **man on the street** responses and can help you to write more developed arguments.



Developing Exam Skills – 4 Mark Explain Questions

Developing Exam Skills – How to structure the 4 mark explain questions

In the 4 mark explain questions, there is 1 mark for knowledge, 2 marks for application and 1 mark for analysis. Starting your answer with a definition will help you secure the knowledge marks, then, **using PeCAn**, make your point.

Then, develop your point using contextualised analysis. To secure the application marks your answer needs to contain **two distinct elements of context/ application or two applied examples**.

ALDI Targets New Global Markets

Extract A

Aldi has announced that it is planning to open 50 stores in the Shanghai region of China within the next 3 years. The discount supermarket chain, which has over 10,000 stores across 20 countries, has targeted China as it looks to extend its physical global presence.

China has a population of around 1.42 billion and is the second largest grocery market in the world behind the USA. In 2017 the market was valued at US\$ 1.3 trillion and is expected to reach a total value of US\$ 1.6 trillion by 2020, making it a hugely attractive market for supermarket retailers.



Explain the benefit of expanding into China for a business such as ALDI

Expansion is when a business increases in size, in this case, opening more stores. A benefit is increased purchasing economies of scale.

By opening up 50 more stores, ALDI will need to increase the amount of food and drink that it buys from its suppliers to replenish the shelves of the new Chinese stores. ALDI could have increased bargaining power and may be able to negotiate cheaper prices with its suppliers. Cheaper supplies will mean that it will be to maintain its low prices and compete with established competitors like CRE.

Developing Exam Skills – 10 and 12 mark questions

Developing Exam Skills – How to structure the 10 and 12 mark questions

In the 10 and 12 mark questions, you need to ensure your assessment is balanced and that you provide a supported judgement.

Take the following question:

Assess the likely impact of adopting a strategy of new product development on a business such as Apple (12 marks)

One way of structuring the above question could be:

1 PeCAn paragraph in relation to a positive impact

1 PeCAn paragraph in relation to a negative impact (this ensures your answer and assessment is balanced)

A supported judgement

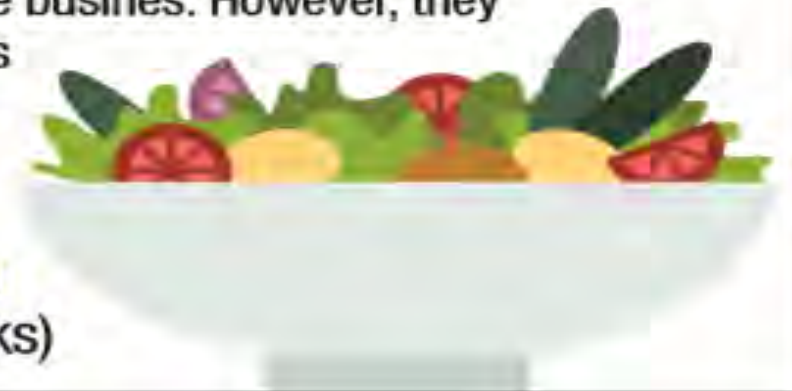
Lettuce Know

Lettuce Know is a chain of high quality salad bars targeting the food-on-the-go and healthy eating segment. The business has 18 outlets, all located in busy and high-profile London locations such as St Pancras International and Canary Wharf.

The market for healthy food in the UK is growing, with 72% of shoppers in the UK opting to purchase food with less salt, sugar, fat or calories, and the market is set to grow around 10% per annum over the next 2 years. This growth has seen a number of new entrants enter the market whilst other established food operators such as Greggs have responded by making changes to their menu to include more healthier options.

Lettuce Know currently has a centralised structure with all the key decisions made by the senior management team allowing them to maintain close control over nearly every aspect of the business. However, they are considering changing their organisational structure to make the business more decentralised, giving outlet managers more control over store menus, pricing and promotion.

Assess the likely impact on Lettuce Know of changing from a centralised structure to a decentralised structure (12 marks)



Assess the likely impact on Lettuce Know of changing from a centralised structure to a decentralised structure (12)

A decentralised structure is where decision making within the business is spread throughout the organisation rather than decisions being made by head office or a small group of people within the organisation.

One positive impact of moving from a centralised structure to a decentralised structure is that it could lead to higher sales for Lettuce Know. Within the current centralised structure, all major decisions are made by senior managers. Moving to a more decentralised structure and allowing store managers more control over store menus, pricing and promotion could allow store managers to make decisions that are tailored to local market conditions, something that senior managers may not be able to do, for example, if a shop was located near to a large college, store managers may be able to run student promotions such as 10% student discount to attract more students into the shop or stock salads that appeal to students. This could result in students choosing Lettuce Know over other fast food competitors who might not offer a student discount or food aimed at students.

Assess the likely impact on Lettuce Know of changing from a centralised structure to a decentralised structure (12)

But, a decentralised structure could have a negative impact in so much that it may lead to confusion amongst customers because of a lack of uniformity across all the different shops. Having a centralised structure with all the key decisions made by senior management will allow consistency across all of the shops whereas moving to a decentralised structure could result in issues, such as salads that are only available in one shop and also if one manager decided to offer student discount in their shop this could cause confusion and complaints if those customers visited more than one Lettuce Know shop and that didn't offer student discount. This could lead to customers choosing to buy food from rival food shops in addition to an increase in customer complaints.

Lettuce Know should move to a decentralised structure. Although sticking with a structure that is centralised could ensure consistency, being decentralised is probably more important in allowing Lettuce Know to increase sales by allowing managers to make decisions that are based around the needs of the local market, like offering student discounts, something which rival food outlets may not be able to do and differentiating Lettuce Know from rivals like McDonalds, giving them a USP.

Session 2 – Paper 2





Give me
3 Profitability Ratios

3

Profitability Ratios



Gross Profit Margin

1

Operating Profit Margin

2

Profit for the Year Margin

3



Give me

3 Methods of Production

3

Methods of Production



Job

1

Batch

2

Flow

3



Give me

3 Elements of

Porter's Five Forces

3

Elements of Porter's Five Forces



Bargaining Power of Suppliers

1

Bargaining Power of Buyers

2

Threat of New Entrants

3



Give me
3 Causes of Change

3

Causes of Change



Poor Business Performance

1

New Ownership

2

The Market

3

1 benefit and 1 drawback of quality assurance

Boys - Benefit	Girls - Drawback
<p data-bbox="104 554 1039 791">1 Should lead to better quality products compared to quality control</p> <p data-bbox="104 892 894 1129">2 Could lead to increased motivation as everyone is responsible for quality</p>	<p data-bbox="1307 554 2211 705">1 Could lead to a reduction in productivity</p> <p data-bbox="1307 943 2313 1095">2 Some employees may not welcome the extra responsibility</p>

1 benefit and 1 drawback of CSR

Boys - Benefit	Girls - Drawback
<p data-bbox="104 558 1014 796">1 Better reputation giving the business a competitive advantage</p> <p data-bbox="104 958 932 1110">2 Ability to charge a higher price</p>	<p data-bbox="1307 568 1811 715">1 Can lead to an increase in costs</p> <p data-bbox="1302 961 1946 1108">2 Can be seen as just a PR exercise</p>

The Tanfield Ghost Train

The Tanfield Railway claims to be world's oldest and runs for 3 miles between Gateshead and County Durham. Every week they offer a spine tingling, hair raising journey via their Ghost Train experience. The experience, which takes part on board a 5-carriage steam train, involves taking part in some gruesome games and having some fangtastic food and drinks, with creatures lurking in the dark and things that go 'shunt in the night'.

The average capacity utilisation of the Ghost Train experience is 70% with 350 customers. In order to boost capacity utilisation, they are considering reducing the number of carriages from five to four.



The Tanfield Ghost Train

Calculate the new capacity utilisation of the Ghost Experience based on the reduction of the train carriages from five to four assuming the number of customers remains the same. Note that each carriage can hold the same number of customers.

$$\text{Current capacity} = (350 / 70) \times 100 = 500$$

$$\text{Capacity per carriage} = 500 / 5 = 100$$

$$\text{New capacity} = 500 - 100 = 400$$

$$\text{New capacity utilisation} = (350 / 400) \times 100 = 87.5\%$$

Paper 2 Overview and Key Models and Theories

Paper 2 OVERVIEW

Paper 2 will assess business finance and operations, business decisions and strategy, and questions will be drawn from Themes 2 and 3.

Paper 2 has a total mark allocation of 100 and is worth 35% of the total A Level Business qualification.

Paper 2 consists of two sections with each section consisting of:

2 x 4 mark questions

1 x 10 mark question

1 x 12 mark question

1 x 20 mark question

Paper 2 Key Models and Theories

- Sales forecasting
- Break-even
- Capacity Utilisation
- JIT and TQM
- The Business Cycle
- Ansoff's Matrix
- Porter's Strategic Matrix
- Porter's Five Forces
- SWOT and PESTLE
- Economies and Diseconomies of Scale
- Investment Appraisal
- Decision Trees
- Critical Path Analysis
- Corporate Culture



RYANAIR

In 2018, the IATA confirmed that Ryanair remained Europe's favourite airline as statistics showed Ryanair carried more customers than any other European airline with over 128m customers in 2017, more customers than Easyjet and BA combined.

Michael O'Leary, CEO of Ryanair, frequently asserts that the only customer service that really counts in air travel is getting passengers to their destination on time and for the cheapest fare. In order to keep fares to a minimum, the business has a cost leadership strategy, striving to keep unit costs down, using a variety of innovative and controversial methods.

Previously, Ryanair revealed that staff had been asked to consider their own body weight in a bid to reduce aircraft weight and therefore fuel costs. For female staff, the incentive for this would be the chance to appear in the Ryanair calendar. Ryanair also reduced the size of the inflight magazine from A4 to A5 as well as doubling up as a menu, a move which saved more than £400,000 per year. Ryanair has also introduced seats with no back pocket which gives a quicker turnaround time by reducing the amount of items that need to be checked and cleaned, as well as lowering cleaning costs.



RYANAIR

How many marks would you give this student answer below?

Explain how following a strategy of cost leadership might benefit a business such as Ryanair (4 marks)

Cost leadership is where a business tries to get a competitive advantage in the market they are in by being the lowest in terms of costs within the market. A benefit to Ryanair is that it should allow them to continue to offer low fares to its passengers.

Ryanair have a reputation for cheap fares and to get this they use a cost leadership strategy, for example, they managed to save nearly half a million by reducing the size of their inflight magazine as well as having seats with no pockets. Having no seat pockets prevents passengers leaving empty drinks bottles and newspapers in them which means they can reduce the costs of cleaning the planes.

As a result of having low costs, they can pass this saving on to their customers in the form of low fares which could lead to even more passengers than the 128 million they had in 2017 resulting in more revenue.



1 mark

☐

2 marks

☐

3 marks

☐

4 marks

☒

 **RYANAIR**

RYANAIR – Bonus Student Answer!

A business like Ryanair can develop a strategy of cost leadership by being the lowest cost business in there market.

By lowering costs as low as possible, they can reduce there prices as there costs are the lowest in the market. Subsequently, by being a cost leader, this could allow them to have the lowest prices in the market especially if other businesses have higher costs than them. They can lower there prices as they have lower costs.

As a result of having lower prices, they may be able to increase demand. Although, this does depend on the price elasticity of demand for there product. If there product is price elastic, then lowering prices will lead to more demand. This could result in more revenue for Ryanair which could then be invested back into there business.

2 marks

Developing Analysis Part 2 – How and Why

Many Edexcel students fail to provide fully developed lines of analysis, resulting in arguments that lack depth/are under developed.

There are many techniques you can use to help you write more analytically. One such technique is **How** and **Why**.

Look at the example below which relates to the following question:

Assess the impact of operating at low capacity utilisation to a business such as Nissan

‘One problem of operating at low capacity utilisation is that it could result in higher unit costs. This may mean Nissan may need to increase the price of its cars.’

This line of analysis **lacks depth** and isn't **fully developed**. An easy way to develop it further is to think of **HOW** low capacity utilisation could result in higher unit costs and **WHY** this might mean Nissan need to increase the price of its cars.

Also, there should be **further development** in relation to the **potential consequence(s) of increasing the price of their cars**.

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Also, there should be **further development** in relation to the **potential consequence(s) of increasing the price of their cars**.

Developing Analysis Part 2 – How and Why

Assess the impact of operating at low capacity utilisation on a business such as Nissan

One impact of operating at low capacity utilisation on a business such as Nissan is that it could result in higher unit costs.

(HOW)

This is because fixed costs don't change in relation to the number of cars that Nissan manufacture. As a result, the fixed costs will be spread out over fewer vehicles resulting in an increase in the unit cost of manufacturing a car.

This may mean that Nissan may need to increase the price of their cars.

(WHY)

Due to an increase in the unit cost of manufacturing a car, Nissan may need to increase the price in order to maintain the same profit margins as before.

The 20 mark questions

The 20 mark questions

In each of the 3 exam papers there will be 2, 20 mark questions. It is vital that you structure these correctly.

To reach Level 4 and achieve 20 marks you need to **evaluate both options** and ensure that your assessment is **balanced**. Your **arguments need to be well developed with logical, coherent chains of reasoning which show a range of cause(s) and/ or effect(s)**.

Your **recommendation** needs to be **fully supported** and show an awareness of the significance of competing arguments.

PeCAn PiE

A useful technique for remembering to evaluate both options is the acronym, PeCAn PiE.

PiE stands for Point In Evaluation. So, at the end of each of your PeCAn paragraphs, provide a short evaluative point, perhaps looking at a disadvantage or a limitation of the argument you have made. This will ensure you have evaluated both options.

So, a good way of structuring the 20 mark question is:

1 x PeCAn PiE paragraph for option 1

1 x PeCAn PiE paragraph for option 2

Recommendation

The above structure will help ensure that evaluate both options with well-developed paragraphs demonstrating logical and coherent chains of reasoning leading to a fully justified and supported recommendation.



Writing your Recommendation

W

WHAT is your recommendation?

W

WHY did you reach that recommendation?

W

WHAT was the most important reason for your recommendation?

W

WHY did you come to this recommendation rather than the alternative?

W

WHAT might your recommendation depend on?

Writing your Recommendation

AJIM

The 5 Ws can be used effectively at the end of your answer by using the acronym AJIM:

A

ANSWER THE QUESTION using your recommendation

J

JUSTIFY your recommendation

I

IT DEPENDS ON. What might your recommendation depend on?

M

What was the **MOST IMPORTANT** reason that led you to your recommendation?

Riley's Fish Shack

Fabulous fish, locally caught, simply served

Riley's Fish Shack is a fish bar and grill located on the beach at King Edward's Bay, Tynemouth, serving local, seasonal fish and seafood.

The Fish Shack, which is made from two converted shipping containers, is the brainchild of Adam and Lucy Riley and their love of fresh, honest, healthy seafood of which there was a real shortage in their hometown of Tynemouth. The pair work closely with a trusted and growing network of local suppliers to ensure they receive the best quality produce. This allows Riley's to charge a premium price. Adam and Lucy estimate that the price elasticity of demand for their food is -0.8 .



Riley's Fish Shack

I recommend that Adam and Lucy should increase their prices in order to increase profit. As demand is price inelastic, raising prices will lead to increased revenue and if their costs remain the same, increased profit.

Although increasing capacity would allow Riley's to serve more customers and alleviate some of the problems like long queues, the cost of the expansion would be £110,000, whereas increasing prices wouldn't cost them anything and given that they already charge high prices, combined with the excellent reviews they have received, especially from Jay Raynor, they can probably get away with even higher prices.

But, whether or not increasing prices leads to higher profits depends on the accuracy of Adam and Lucy's estimation of the shack's price elasticity of demand. If their food is price elastic and not -0.8, then this could result in a fall in revenue and profit as the percentage increase in price would result in a higher percentage fall in the quantity demanded.


Session 3 – Paper 3

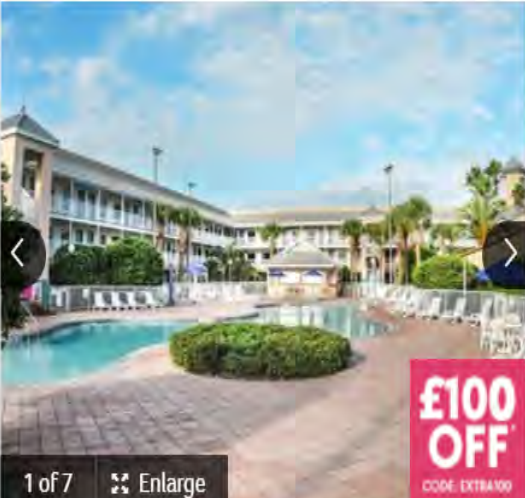



Price is Right

A

Clarion Suites Maingate
USA, Florida, Orlando, Kissimmee Area

 **HOTEL SATISFACTION
PROMISE**



1 of 7  Enlarge

£100 OFF
CODE: EXTRA100

✈ London Gatwick Airport

📅 31 Jul 2019 - 14 Aug 2019

🛏 14 Nights , Bed & Breakfast
Standard Room

🧳 23kgs Standard Luggage Allowance

[Details](#)

B

✈ **Return Flight**
London (STN) to Dubai (DXB)
Thu, 1 Aug - Thu, 15 Aug
Departure: Arrives on 2/8/2019. Your hotel check-in reflects this arrival.
4 Tickets: 2 Adults 2 Children

🏨 **Premier Inn Dubai Silicon Oasis**
Dubai
2/8/2019 - 15/8/2019
1 Room: 13 nights


Starting price

Bundled savings

Taxes & Fees

Total:

All prices include taxes & fees in sterling



Price is Right

C

D



Rock Cottage - Lake District



Coniston, Lake District

4 people 3 bedrooms 2 bathrooms 5 stars

View

Your holiday

for 2 Adults, 2 Children for 14 Nights
from Thu 01 Aug 2019

All Inclusive [View 2 options >](#)

1 x One Bedroom apartment

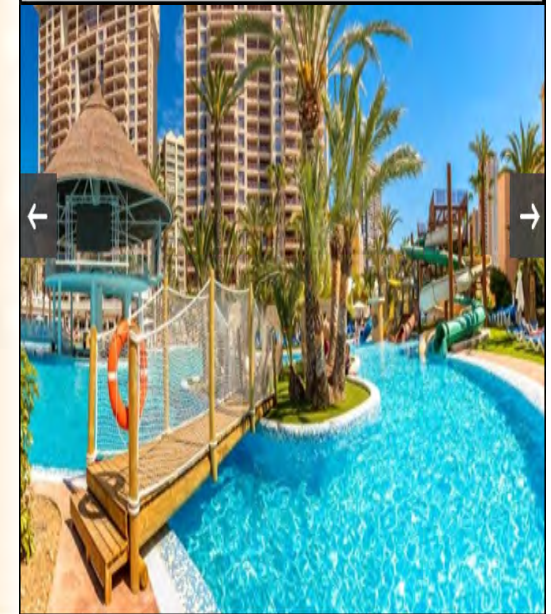
Return flights from London
Stansted
[View flight times >](#)

22kg Bag Allowance

10kg Hand Baggage

Magic Tropical Splash

Benidorm, Costa Blanca



Price is Right

E

Park Holidays UK Waterside

Three Beaches, Dartmouth Road, Paignton, Devon, TQ4 6NS

PARK HOLIDAYS
Holidays & more... UK & Ireland

Bronze 2 bedroom Caravan
sleeps 6 (pet friendly)

Check in: 2 August 2019

Check out: 16 August 2019

14 Night Stay



F

Jeremy Fisher Double Decker Bus

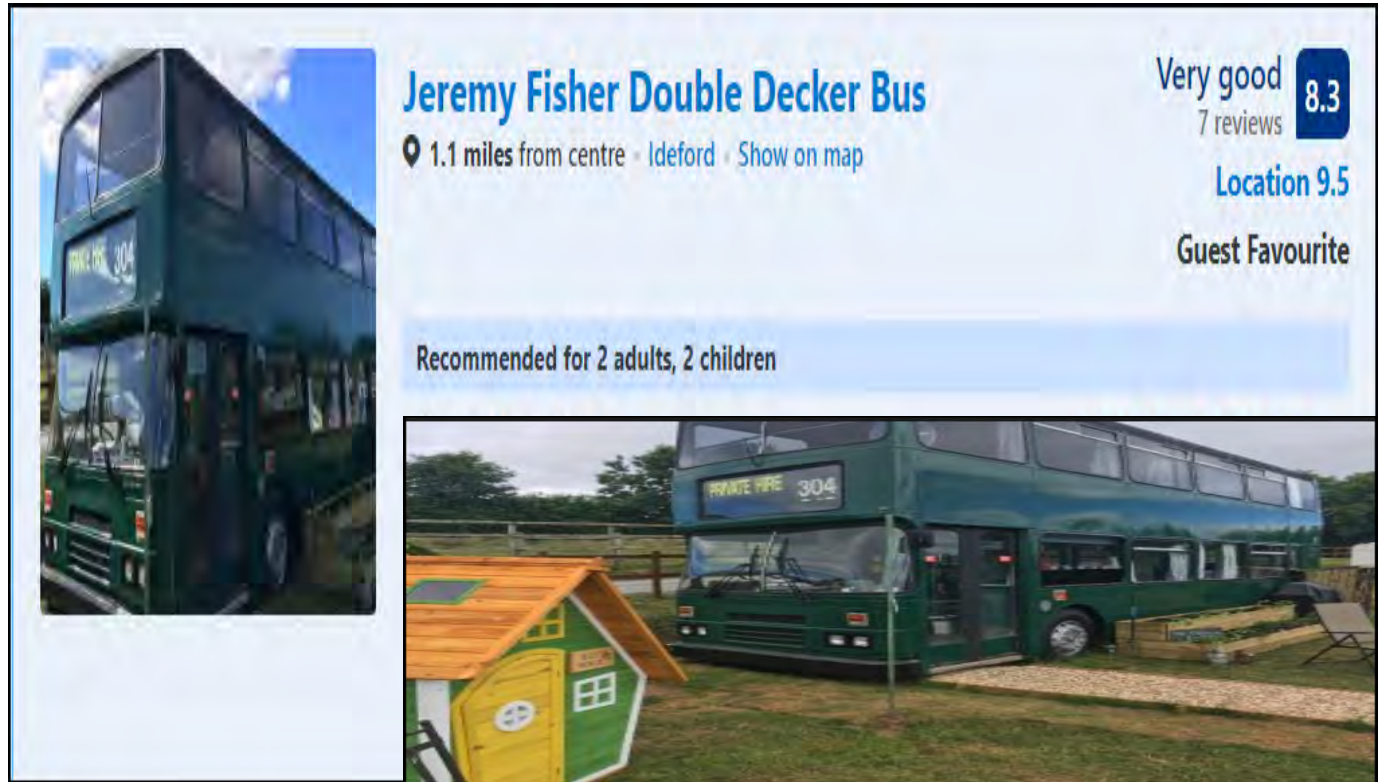
1.1 miles from centre · Ideford · [Show on map](#)

Very good **8.3**
7 reviews

Location **9.5**

Guest Favourite

Recommended for 2 adults, 2 children



Holiday A

£ 4,264

Holiday B

£ 2,713.10

Holiday C

£ 2,348

Holiday D

£ 5,088

Holiday E

£ 1,801

Holiday F

£ 1,740

Now rank the 6 holidays, lowest price to highest price

1

F

2

E

3

C

4

B

5

A

6

D



Paper 3 Overview

Paper 3 OVERVIEW

Paper 3 will assess content from all 4 themes.

Paper 3 has a total mark allocation of 100 and is worth 30% of the total A Level Business qualification.

Paper 3 consists of two sections with each section consisting of:

1 x 8 mark question / 1 x 10 mark question / 1 x 12 mark question / 1 x 20 mark question

The Pre-Release Context

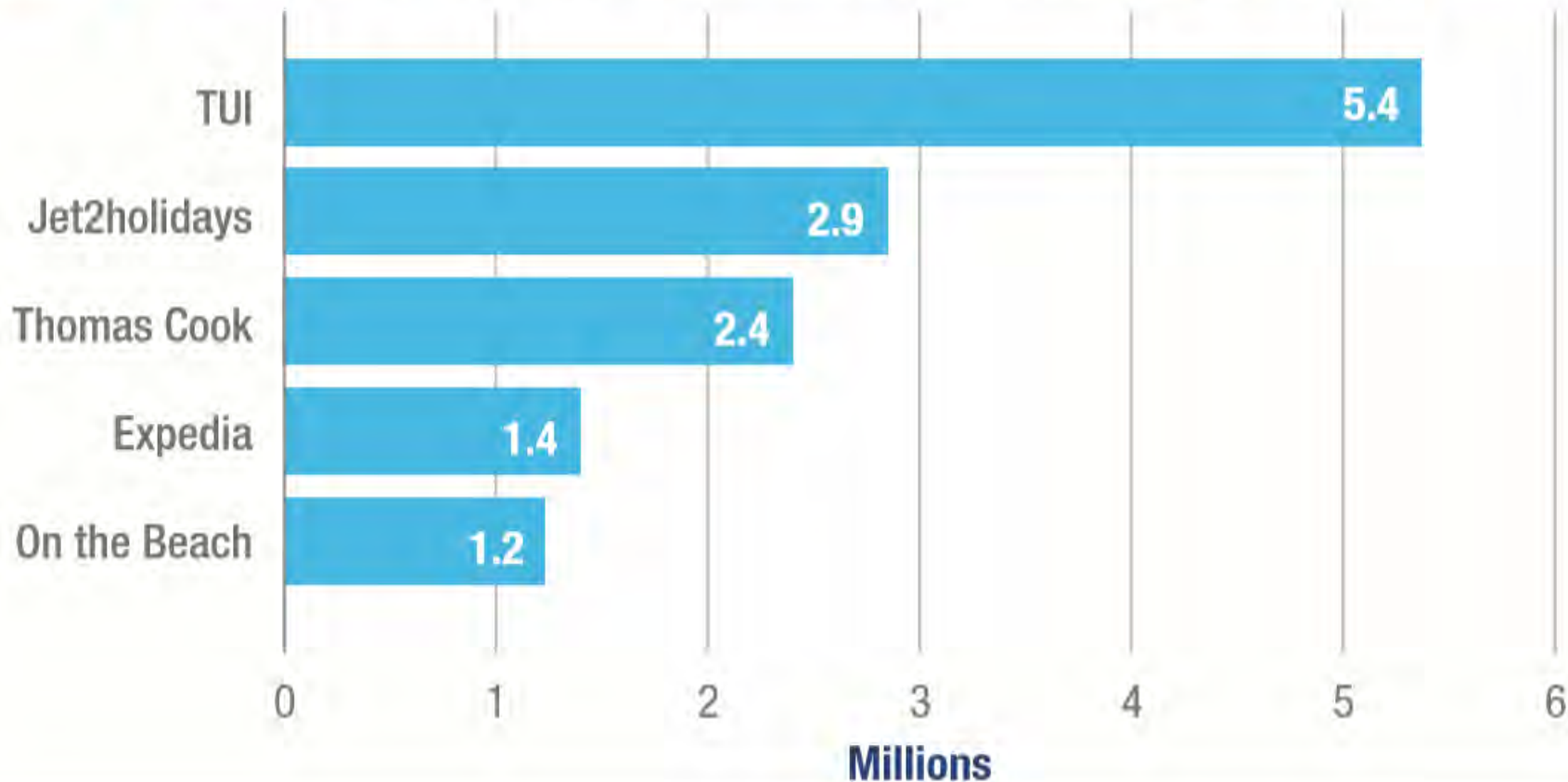
This year the context is the market for holidays in the UK and abroad, and the UK-based businesses operating in these markets. To prepare for this year's context, students should research:

- UK consumer trends over the last 10 years, such as activity holidays, staycations, city breaks, package holidays
- influences on UK-based consumers for holidays, such as the growth and development of emerging economies, social trends, changing costs and prices, and external factors
- major businesses and niche operators in the holiday market, including budget airlines
- the competitive environment facing UK-based holiday businesses.



Extract A

Extract A Passengers licensed under ATOL protection, by top 5 ATOL Holders, 2018



Extract B

Extract B Passengers licensed under ATOL protection, by top 3 ATOL Holders, 2015-2018

	2015	2016	2017	2018	% change
TUI	4,644	4,759	5,332	5,387	+16%
Jet2holidays	1,203	1,585	2,272	2,936	+144%
Thomas Cook	3,904	3,009	2,450	2,389	-39%

Activity 2: Quick Calculation

Complete the above table by calculating the % change of licenced passengers under ATOL protection for TUI, Jet2Holidays and Thomas Cook between 2015 and 2018.

Extract C

Extract C Market share within the UK holiday market

The largest tour operator by revenue and passenger licenses in the UK is TUI. Approximately 60% of its sales are now online, although the group has a significant retail presence with over 600 retail outlets. TUI has increased its licensed passenger capacity over the past 5 years.

In 2017, TUI and Thomas Cook, who were known as the 'big two' UK tour operators, dominating the market for UK package holidays for more than 10 years, became the 'big three', when Jet2holidays overtook Thomas Cook to become the second largest package operator by volume.



Activity 3

Activity 3: Note down two consequences of increased competition in the UK holiday market

1 May force holiday and travel companies to lower their prices which could result in lower their profit margins

2 Holiday and travel companies may need to invest in a new and innovative ways to attract potential holiday makers

Extract D

Extract D The rise of Jet2holidays

Jet2holidays is the sister company to Jet2 and is the business's tour arm operator. Jet2 and Jet2holidays have expanded rapidly with 37 new routes offered in 2018 which were supported by a new fleet of Boeing 737-800 aircraft. This followed the purchase of 16 new aircraft in 2017. In the summer of 2017, the business took 1.81 million customers on holiday, an increase of 41%.

Jet2holidays, unlike TUI and Thomas Cook, have no retail outlets, focusing on online sales as well as selling holidays via their call centre. Jet2holidays also sell a significant number of holidays via independent travel agents, allowing the business to capture a share of the market for beach package holidays.

In February 2017, Thomas Cook ended its commercial agreement with Jet2holidays, which means that Jet2holidays packages will no longer be available via Thomas Cook. TUI ended their agreement with Jet2holidays in December 2017.



Extract E

Extract E

Hays Travel is the UK's largest independent travel agent, specialising in providing good value, quality holidays alongside excellent customer service. Established in the North East of England in 1980 with one shop in County Durham, the business has grown significantly and has over 100 outlets across the UK. The business employs over 1,000 people and has annual turnover of around £800 million.



The 8 Mark Questions

The 8 mark questions

In Paper 3, there will be two 8 mark questions. 8 mark questions do not need a supported judgement at the end of your answer, but, in order to reach Level 3, your assessment must be balanced. This means you **MUST** provide counter arguments to the two points you are making within your response to ensure you gain the evaluation marks.

A useful technique for remembering to provide a counter argument is to use the acronym, PeCAn PiE which we looked at in session 2.

Remember, the PiE stands for Point in Evaluation. So, at the end of each of your PeCAn paragraphs, provide an evaluative balancing point, for example, using the word 'However'.

So, a question such as, 'Assess two benefits to a business like Ryanair operating at 90% capacity utilisation', could be structured using two, PeCAn PiE paragraphs.

This will help ensure that you provide two well developed, contextualised paragraphs and two counter arguments to help secure all 8 marks.



Assess to benefits to Jet2holidays of taking over Hays Travel

One benefit is

increased market penetration for Jet2holidays as they don't have any physical travel agents unlike their rivals TUI and Thomas Cook. This could allow them to penetrate the market further and reach out to more holiday makers.

However

, financing the takeover could be expensive and there overall cost base would increase as they would need to pay all the costs associated with running the retail outlets.

Another benefit is

that they could ensure that TUI and Thomas Cook holidays are not sold within the newly taken over travel agents which could result in fewer holidays booked for their competitors and more holidays booked for Jet2holidays.

However

, no longer selling holidays from other companies could upset customers who were loyal to Hays, forcing them to book their holidays elsewhere, resulting in less revenue.

Extract F

Extract F The market for holidays in the UK

In 2017, the total holiday market by volume increased by 4.9% to 105.9 million trips whilst the market by value was £46.2 billion, an increase of 6.5%. The growth in the market was largely down to domestic tourism. Whilst overseas tourism did grow, it grew at a slower rate. In 2017, overseas holidays accounted for 56% of the market whilst domestic trips accounted for 44%.

The leave vote resulted in a significant fall in the pound and it has remained around 10-15% lower than its pre-vote value. However, this added expense has not put customers off travelling abroad. But, it is expected that a fluctuating pound, more expensive oil and rising inflation will impact on consumer spending which may result in a small reduction in the number of overseas trips, with customers opting for short breaks, city breaks and staycations.

In 2017, the mean holiday spend was £1,784 which was a 7.2% increase on 2016 whereas the median spend was £1,000.





Second challenge

Identify 3 factors that can influence the price elasticity of demand

- 1 Strength of the brand
- 2 Competition
- 3 Proportion of income spent on the product
- 4 Degree of necessity or whether the product is a luxury
- 5 Seasonality/ peak and off peak

Extract G and H

Extract G Domestic Tourism in the UK

2017 saw both the volume and value of domestic holidays or 'staycations' increase with a record number of 59.1 million trips and expenditure of £14.1 billion. This growth was largely down to current travel trends such as more active holidays and 'snacking' i.e. little and often, taking regular short breaks rather than a longer holiday.

Whilst the market for staycations is forecast to grow, this growth could be more rapid if there is a downturn in the economy due to Brexit and further depreciation of the pound.

Extract H Center Parcs

Watch this short video on Center Parcs.

The Center Parcs concept is to provide short, family breaks in the forest on a year round basis. Center Parcs prides itself on high quality accommodation and a range of outstanding leisure facilities, with more than 200 indoor and outdoor activities, all set within a protected and enhanced woodland environment. Center Parcs arrived in the UK in 1987, when it opened its first 'Village' in Sherwood Forest. Center Parcs now has 5 locations across the UK with one further location planned in Ireland in 2019. Center Parcs is a leader in the UK short break holiday market and occupies a unique position, enjoying annual occupancy rates in excess of 97%, despite charging very high prices.

Activity 6

Activity 6: Note down one reason why sales forecasting might be useful for a business such as Center Parcs and one difficulty Center Parcs may have in forecasting sales.

Usefulness

Sales forecasting will help Center Parcs to have the correct staffing levels that they have enough employees to run the different activities

Difficulty

The market they operate in is highly seasonal and also economic factors such as exchange rates can affect domestic tourism and subsequently sales

Activity 7

Activity 7: Note down one benefit and one drawback of Center Parcs of having a 97% occupancy rate.

Benefit

Increased staff motivation as workers may feel more secure in their jobs. This could lead to better customer service.

Drawback

At certain times of the year it may be difficult for customers to book resulting in them taking their holidays elsewhere

The Pre-Release Context

The Pre-Release Context

This year the context is the market for holidays in the UK and abroad, and the UK-based businesses operating in these markets. To prepare for this year's context, students should research:

- UK consumer trends over the last 10 years, such as activity holidays, staycations, city breaks, package holidays
- influences on UK-based consumers for holidays, such as the growth and development of emerging economies, social trends, changing costs and prices, and external factors
- major businesses and niche operators in the holiday market, including budget airlines
- the competitive environment facing UK-based holiday businesses.



Core Content and the Holiday Market

Theme (Specification)	Key Application to the Holiday Market
Theme 1 Marketing and People	Mass Markets and Niche Markets Market Segmentation and Market Positioning Factors affecting Demand Price and income elasticity of demand Distribution Recruitment and selection Approaches to Staffing
Theme 2 Managing Business Activities	Sales Forecasting Capacity Utilisation Economic Influences Legislation The Competitive Environment

Core Content and the Holiday Market

Theme 3

Business Decisions and Strategy

Theories of Corporate Strategy - Ansoff

PESTLE

Growth

Mergers and Takeovers

CSR

Human Resources

Theme 4

Global Business

Growing Economies

Trading Blocs

Global Marketing

Niche markets and cultural diversity

Cultural and social factors

Ethics

Session 4 – Nailing the Numbers





You will have only 30 seconds to work out the answer. Good luck!



100,000 units



Player 1

Player 2

£2



£80,000



£180,000

Shiver Me Timbers

Activity 2: Shiver me Timbers

John Silver is the CEO of Shiver me Timbers, a large manufacturing business which specialises in the production of remote-controlled model pirate ships.

The current factory, which is in Penzance, can no longer meet demand and John is considering investing in a new factory, increasing capacity.

Table 1 below shows the expected financial outcomes of the new factory.

Year	Cash Inflows (£000)	Cash Outflows (£000)
0	0	600
1	300	200
2	500	250
3	600	300
4	800	350



To calculate the financial viability of the proposed investment, John has decided to use ARR.

Question 1

Using the information in **Table 1**, calculate the ARR of the proposed investment

Shiver Me Timbers

Question 1

Using the information in **Table 1**, calculate the ARR of the proposed investment

NCF 1 = £100,000

NCF 2 = £250,000

NCF 3 = £300,000

NCF 4 = £450,000

Total = £1,100,000

$£1,100,000 - £600,000 = £500,000$

$£500,000 / 4 = £125,000$

$(£125,000 / £600,000) \times 100 =$

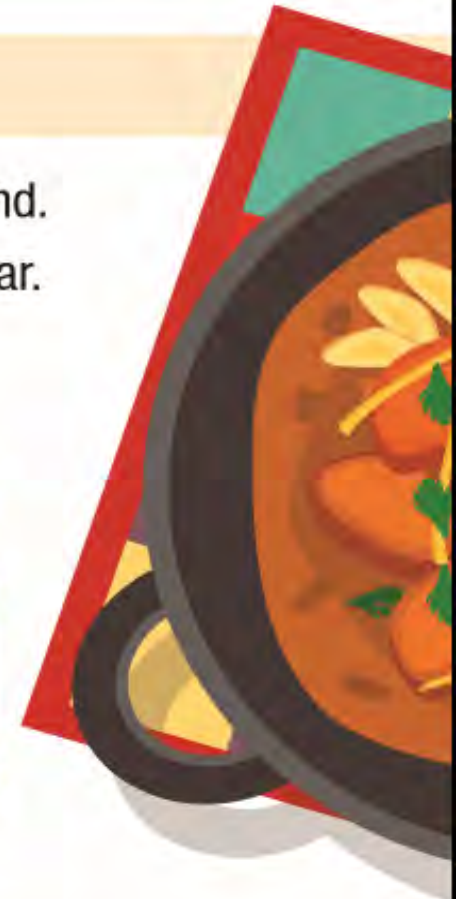
20.83%

Balti Towers

Activity 3: Balti Towers

Balti Towers is a chain of Indian restaurants located in and around Sunderland. **Table 2** below shows some of their selected financial information for last year.

Sales revenue	£800,000
Operating profit	£48,000
Inventory	£50,000
Receivables	£15,000
Cash	£70,000
Payables	£60,000
Bank overdraft	£15,000
Non-current liabilities	£60,000
Total equity	£100,000



Balti Towers

Question 1

Using the information in **Table 2**, calculate the following

**Current
Ratio**

$$£135,000 / £75,000 = 1.8:1$$

**Acid Test
Ratio**

$$£85,000 / £75,000 = 1.13:1$$

**Return on
Capital
Employed**

$$(£48,000 / £160,000) \times 100 = 30\%$$

Gearing

$$(£60,000 / £160,000) \times 100 = 37.5\%$$

Balti Towers

Question 2

The owners of Balti Towers are considering opening another restaurant in Newcastle. The cost of opening the new restaurant is estimated to be £80,000, all of which would need to be funded by long-term borrowing.

Using this information and the information in **Table 2**, calculate the new gearing ratio based on the proposed expansion.

New non-current liabilities = £60,000 + £80,000 = £140,000

New capital employed = £140,000 + £100,000 = £240,000

New gearing = (£140,000 / £240,000) x 100 = 58.33%

Pane in the Glass

Activity 4: Pane in the Glass

Michael Pane is the owner of Pane in the Glass, a business specialising in the installation of double glazing, conservatories and orangeries.

Below is **Table 3** which shows the sales of the business over the last 6 years

Year	Sales (£)	Three-year moving total (£)	Three-year moving Average (£)
2013	400,000		
2014	350,000		390,000
2015	420,000	1,170,000	395,000
2016	415,000	1,185,000	
2017	365,000		
2018	450,000		

Question 1

Complete the shaded boxes within the table



Pane in the Glass

Year	Sales (£)	Three-year moving total (£)	Three-year moving Average (£)
2013	400,000		
2014	350,000		390,000
2015	420,000	1,170,000	395,000
2016	415,000	1,185,000	400,000
2017	365,000	1,200,000	410,000
2018	450,000	1,230,000	

Floral and Hardy

Activity 5: Floral and Hardy

Olivia Hardy is the owner of Floral and Hardy, a florist located in Sunderland that sells £5 bouquets of flowers. Last year, the business sold 5,000 bouquets. The variable cost of a bouquet last year was $\frac{1}{5}$ of the selling price and the business made £8,000 profit.



Floral and Hardy

Question 1

Calculate the fixed costs of the business last year

Method 1

Total revenue = $5,000 \times £5 = £25,000$

Variable cost per bouquet = $£5 / 5 = £1$

Total variable costs = $5,000 \times £1 = £5,000$

Profit = $£8,000$

Fixed costs = $£25,000 - £5,000 - £8,000 = £12,000$

Floral and Hardy

Question 1

Calculate the fixed costs of the business last year

Method 2

Variable cost per bouquet = $\text{£}5 / 5 = \text{£}1$

Contribution per bouquet = $\text{£}5 - \text{£}1 = \text{£}4$

Total contribution = $\text{£}4 \times 5,000 = \text{£}20,000$

Fixed costs = $\text{£}20,000 - \text{£}8,000 = \text{£}12,000$

Floral and Hardy

Question 2

Calculate the monthly break-even point last year

Monthly break-even

Monthly fixed costs = £12,000 / 12 = £1,000

Contribution per unit = £5 - £1 = £4

Monthly break-even = £1,000 / £4 = 250 bouquets

Floral and Hardy

Question 3

Income levels in Sunderland are expected to rise by 4% this year. Olivia estimates that this will result in bouquet sales increasing from 5,000 last year to 5,250 this year. Based on this information, calculate the income elasticity of demand.

% change in quantity demanded = 5%

$YED = 5\% / 4\% = +1.25$

MCQ Blast





A manufacturer has a capacity utilisation of 70%. It is looking at increasing its capacity by 25%. Calculate the new capacity utilisation assuming it makes the same number of items.

A

B



C

D

95%

56%

90%

45%



Last year, a business sold 60,000 units, achieving a total contribution of £90,000. Selling price per unit was £4. What was the variable cost per unit last year?

A



B

C

D

£2.5

£1.5

£5.50

£4



A business has inventory of £200,000; payables of £150,000; cash of £100,000; receivables of £50,000 and a bank overdraft of £100,000. Calculate the current ratio of the business.

A

B

C



D

2:1

3:1

1.4:1

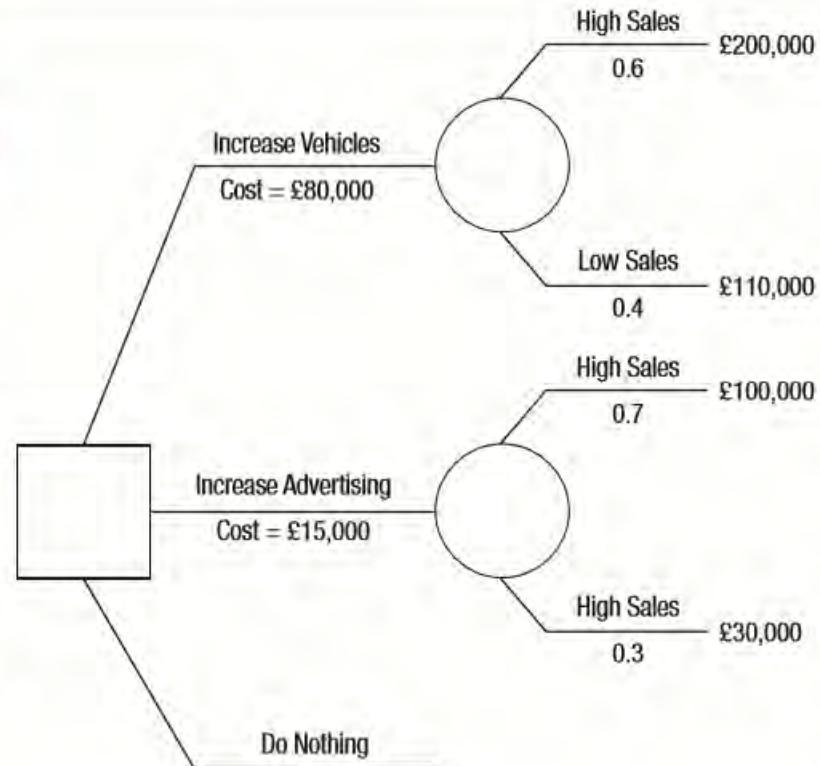
2.5:1

Temple of Vroom



Temple of Vroom is a large driving school located in North Yorkshire. The owners of the business are considering two options to increase profits. One option is to increase the number of vehicles. The other option is to increase advertising.

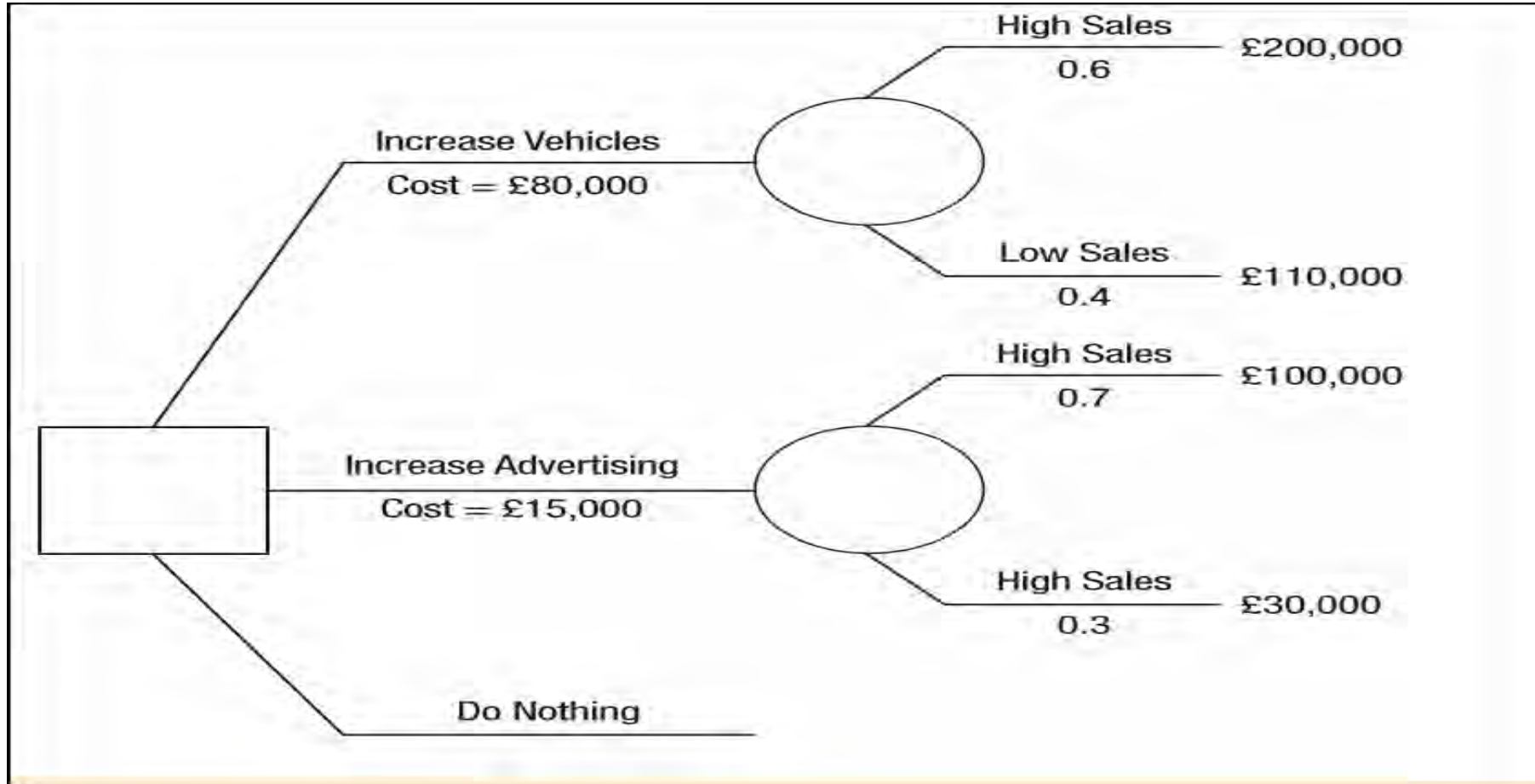
A decision tree showing the estimated costs, sales and probability of sales of both options, has been constructed.



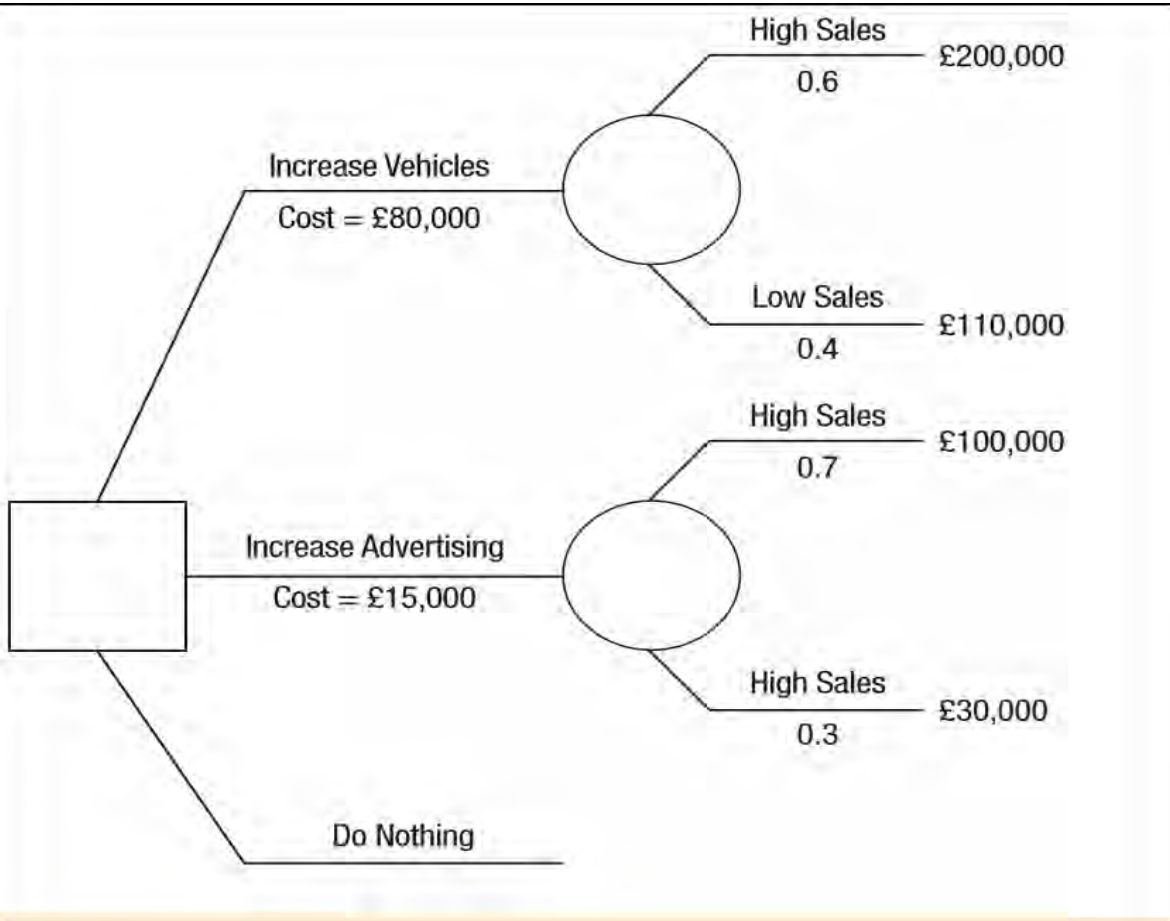
Question 1

Calculate the net gain of both options and state which option Temple of Vroom should choose based on your calculations

Temple of Vroom



Temple of Vroom



Increase vehicles

$$(\pounds 200,000 \times 0.6) + (\pounds 110,000 \times 0.4) = \pounds 164,000 \text{ (EV)}$$

$$\text{Net gain} = \pounds 164,000 - \pounds 80,000 = \pounds 84,000$$

Increase advertising

$$(\pounds 100,000 \times 0.7) + (\pounds 30,000 \times 0.3) = \pounds 79,000 \text{ (EV)}$$

$$\text{Net gain} = \pounds 79,000 - \pounds 15,000 = \pounds 64,000$$

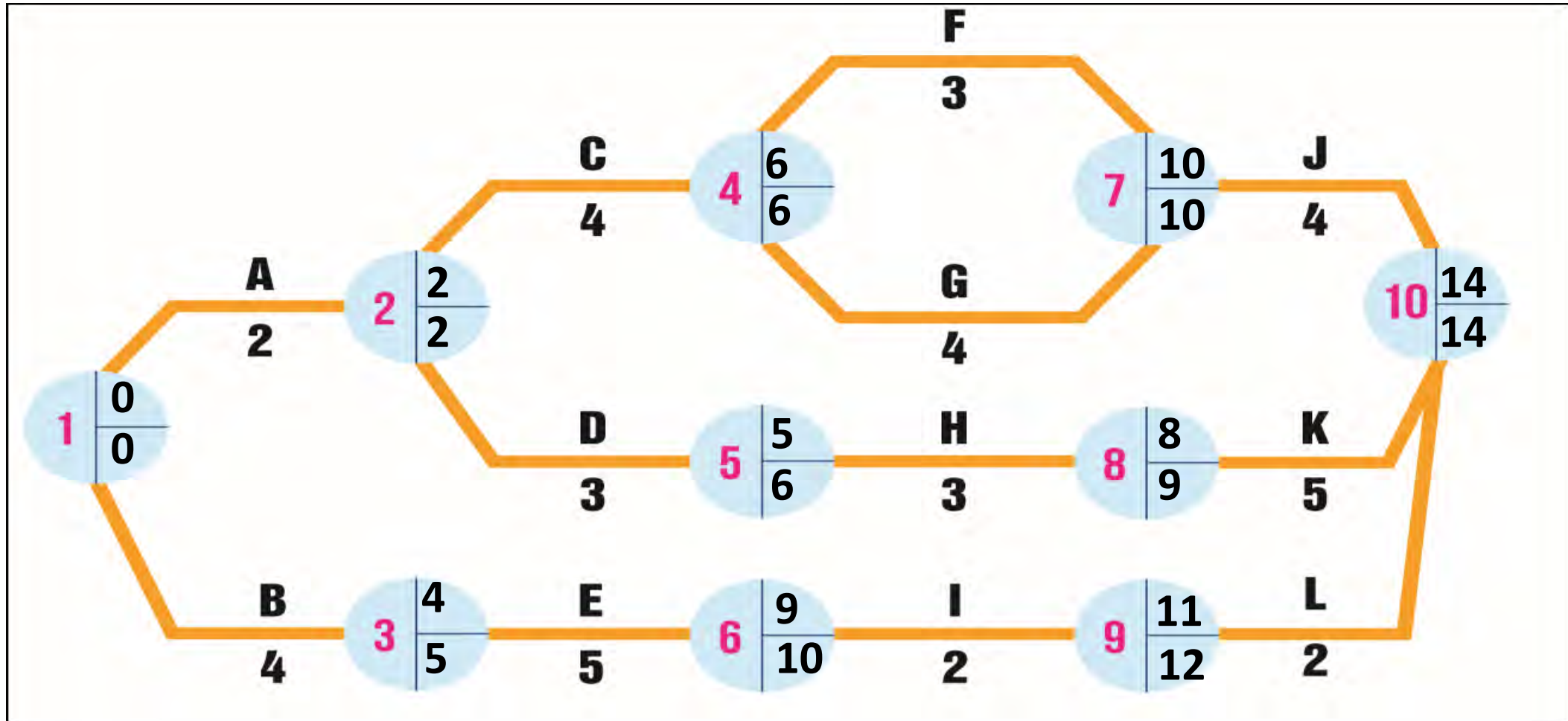
A Latte Fun

Activity 8: A Latte Fun

A Latte Fun is a chain of coffee shops owned by Caroline Ritical. Caroline is looking at opening up a further coffee shop and has constructed the network diagram below to plan the opening of the new café.



A Latte Fun



Our top tips for success

Our top tips for success

1

Calculations

Always show your workings

Our top tips for success

2

The 4 mark question

C 1 App 2 An1

*Don't forget to analyse the
point – 1 mark available*

Our top tips for success

3

The 8 mark question

*Assess - Remember to show
balance*

Our top tips for success

4

Analysing

Use connectives like 'therefore', 'consequently', 'as a result' to develop your arguments

Our top tips for success

5

The 10 and 12 mark questions

*Provide a judgement at the
end*

Our top tips for success

6

Avoid “man on the street answers”

Use models and theories to build an argument

Our top tips for success

7

The 20 mark questions

*Evaluate both options AND
provide a recommendation*

Our top tips for success

8

Quantitative Skills

Practice!

Our top tips for success

9

Application

Make sure you write in context

Our top tips for success

10

Revise, Revise, Revise!

tutor2u 